

Submission from
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To the Joint Review Panel

Yellowknife General Hearing
December 5th, 2006

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I would like to begin by thanking the *Joint Review Panel* (JRP) for this opportunity to present my perspective and recommendations on the *Mackenzie Gas Project* (MGP). My presentation will outline a series of recommendations that can serve as markers to determine and assess the work that the *Joint Review Panel* will produce for northern citizens and Canadians. These recommendations are based on the knowledge that we have on this project at this time. Northerners' understanding of how to best proceed (or not) with this project may change as new information becomes available.

Significance

To quote Mr. Roland Priddle in exhibit GNWT 6C to the *National Energy Board*,

“The MVP component of the MGP is likely the last large intra-Canadian gas pipeline that will come forward for the NEB’s approval. If certificated and proceeded with, the MVP become part of and will complete the national pipeline network.

...the MGP... will access in the national interest completely new gas resources in the Delta, the broader Mackenzie Beaufort and in the Mackenzie corridor and the MGP will provide gas supply to keep existing transmission pipelines operating near capacity by supplementing probably declining volumes from sources south of 60 degrees.”

The project under review is of paramount significance to the future of the NWT. The Panel has a huge job before it. The size of the task at hand is in part the result of the particular process of evaluation that has been set up.

Environmental Assessment Process

Let me begin by reviewing the legal framework under which the *Joint Review Panel* carries out its work.

The *Mackenzie Valley Resource Management Act* is an act of Parliament that was established to give northerners better control over the process of environmental assessment. **It is the act of the Government of Canada that speaks to the concept of integrated resource management in the Northwest Territories** for regions outside of the *Inuvialuit Settlement Region*. The act has an elevated level of constitutional protection under Land Claims Agreements. The MVRMA requires that environmental assessments consider not only the environmental impact of any proposed development, but at an equal level, the social, economic and cultural impact on northern communities. This scope is outlined in section 115 cited below.

Mackenzie Valley Resource Management Act

115. The process established by this Part shall be carried out in a timely and expeditious manner and shall have regard to

- (a) the protection of the environment from the significant adverse impacts of proposed developments;*
- (b) the protection of the social, cultural and economic well-being of residents and communities in the Mackenzie Valley; and*
- (c) the importance of conservation to the well being and way of life of the aboriginal peoples of Canada to whom section 35 of the Constitution Act, 1982 applies and who use an area of the Mackenzie Valley.*

I want to state clearly that this act takes precedence over the Cooperation Plan. Indeed, the MVRMA is the major measure by which the work of this Panel will be judged. This Act must be followed in evaluating the *Mackenzie Gas Project*. The *Joint Review Panel* must respect the spirit of the MVRMA in approaching this project.

The *Mackenzie Valley Resource Management Act* was designed as a three-step process, beginning with a preliminary screening, moving to an environmental assessment and in cases where it was deemed necessary, ordering an environmental impact review of a project. Had the MGP review followed this process, some of the preliminary work would have been completed for the Panel. As it stands, the *Joint Review Panel* has a much larger job to complete and indeed, you have the responsibility to consider all matters that are of a provincial type nature.

The Cooperation Plan was flawed in a significant way. It took the process out of the hands of northerners and made judgements about who should or should not be at the table prior to the submission of any project description. The MVRMA would have put the process in the hands of northerners to decide the road map for assessment of the project. I consider the Cooperation Plan to be a manipulation of the Act. The judicial verdict on the Dene Tha' court case has confirmed that the Cooperation Plan is flawed. Are there other failures of this process as well?

I would therefore suggest that the Panel take the time it requires to do a thorough job. This is especially important since this process is now under even greater scrutiny. External pressure to move quickly is not legitimate under law or good practice. If this basin-opening project proceeds, the work that is done now will be crucial to its long-term effects and to the evaluation of costs and benefits that northerners may or may not enjoy. I do note that the Panel has already extended the timeframe by five months. This extension was a logical choice by the Panel given the work they are faced with.

I would however like to raise a concern that the non-governmental organizations and communities taking part in this process are having an even greater difficulty continuing to participate as the process is necessarily extended. This could be detrimental to the review as the non-governmental organizations and communities are playing an important role by asking tough questions that might otherwise go unasked. This review should

respect the intervenors and ensure that they are able to carry out their work. Consideration should be given to providing the NGO's with additional financial support. I recognize this is not directly part of the Panel's mandate but it should be an issue they are concerned about.

Recommendations on review process

1.
 - a) **Take the time you need to do a thorough job.**
 - b) **Ensure that the *Mackenzie Valley Resource Management Act*, especially section 115, is adhered to when making recommendations on the project.**
 - c) **As the timeframe of the review has been extended and may be further extended, the *Canadian Environmental Assessment Agency* should consider making additional funding available for non-governmental intervenors.**

Protection of the Public Interest

I am concerned that this project is being reviewed under the shadow of very active support by both the *Government of Canada* and the *Government of the Northwest Territories*. Governments have the responsibility to ensure a fair and unbiased review that considers the public interest and looks at protecting the environment. They need to sit in judgement of this project, not act as cheerleaders. Below are a couple of quotes that show the impatience of the *Government of Canada* in regards to this review.

“We have a spider's web of regulatory confusion north of 60 that makes it difficult to get on with things.” (INAC Minister Prentice in a speech to the Edmonton Chamber of Commerce).

“We also need to ask why - 30 years after it was first proposed - we're still wondering when or if the Mackenzie Pipeline will be approved... It won't happen unless you make sure projects like the Mackenzie Pipeline come to fruition because, without them, no amount of transfer payments will give the North the future it deserves.” (Prime Minister Harper in his speech in Yellowknife, August, 2006)

Certainly the north needs economic development but only of the type that will work to our advantage. The *Government of Canada* is responsible for overseeing the review of this pipeline and must act in the best interests of Canadians and in this case in particular, residents of the NWT. This process is meant to determine what those interests are. Northerners need to be able to trust this process to have any confidence in its outcome.

Scope of Project Being Assessed

The expansion of the *Mackenzie Gas Project* features prominently in the recent *Natural Resources Canada Energy Outlook*. It is not however, the full scale of the *Mackenzie Gas Project* that is being considered in this environmental impact review. The actual project being reviewed is only the three anchor fields and the pipeline, with limited consideration of cumulative effects.

However, this project will be part of a much larger industrial development. Both levels of governments and the proponents have characterized this project as ‘basin opening’. And so, guidelines on the amount of gas that can be shipped in the pipeline without being subject to further assessment must be established. This is the only way to ensure that the environmental assessment is lined up in some way with the reality of the future of this project. We need safeguards in terms of expansion before any initial approval is given. If not, we will never have the same chance again.

It won’t be a surprise to anyone if I say the scale and pace of this project will play a key role in its impact. The *Canadian Arctic Resource Committee* has outlined this in its series of maps showing the link between physical footprint and the carrying capacity of the pipeline (CARC, *A Choice of Futures: Cumulative Impacts Scenarios of the Mackenzie Gas Project*, www.carc.org). Now you can quibble about the exact magnitude of the footprint but you can hardly argue with the concept. And so northern people need an understanding of how any expansion would take place, how the industry is going to be developed. We need to ensure that northerners will have control over this project and its expansion, and not anyone else. The *Government of Canada* and the GNWT need to outline a development strategy with guidelines and mechanisms to control any expansion of the *Mackenzie Gas Project*. The panel should make recommendations in this regard to *Indian and Northern Affairs* and to a post-devolution GNWT.

- 2. The JRP should recommend that the *Government of Canada* and the *Government of the Northwest Territories* outline a development strategy with guidelines and mechanisms to control any expansion of the *Mackenzie Gas Project*.**

Transportation Corridor for Public Resources

The *Mackenzie Gas Project* involves the creation of a gas transportation corridor. It is a transportation system for public resources that will be developed by various private interests. Therefore, northern citizens and governments have the right to do a qualitative analysis of the proponents. I want to raise a few areas of concern in regard to this issue.

The proponents are asking for the right to act as both natural gas producers and mid-stream transporters. This gives them a disproportionate amount of control over the development of natural gas resources in the north. If the same people own the pipeline and the gas, they essentially control the process. They have considerable control over their competitors and in fact can ensure that their product is always the preferred product. There is a long history in the oil and gas industry of fighting this type of concentration of control and for good reasons.

Ownership of both the pipeline and the anchor fields may be quite advantageous now, but this may not be so in the future. Evidence entered by Alternative North suggests that the main profits are to be made from the gas fields and not the pipeline itself (Exhibit J-ANC-00014). Can we then be assured that the producers will remain the owners of the

pipeline? The Alliance Pipeline is an example of a producer building a pipeline and then selling it.

The integration of the production and transportation function also gives the proponents tremendous influence over our royalty regime. Essentially, the producers are in a position of saying they will not build this pipeline or produce this gas if they do not like the royalty regime in place. The November 16, 2005 letter of Anne McLellan, the then Deputy Prime Minister of Canada discusses the option of various ‘fiscal enhancements’. The tone of the letter exemplifies the influence of the integration of these two functions. Minister Prentice has indicated that the current *Government of Canada* is also considering various options for fiscal enhancements. The *Government of the Northwest Territories* has offered its own promises of ‘fiscal cooperation’. It appears as if governments are negotiating from disadvantaged position.

So I am asking the panel today whether we are paying a premium to have producers build this pipeline rather than seeking out an arrangement that separates the pipeline builder from the producers. And I wonder if the premium is only financial or if it will have other consequences.

To quote the *Mackenzie Explorers Group*, “access should only be given to a project proponent that is prepared to develop it in the interests of all present and future users.” And I would add that access should only be given under terms and conditions that are clearly of benefit to northern citizens.

3. Access should only be given to a proponent that is willing to develop the pipeline in the interest of all users and under terms and conditions that are beneficial to northern citizens.

One aspect of judging if this project is being built in a way that maximizes potential future use is the location of the liquids processing plant. Originally, the proponents had been proposing to locate the liquids processing plant in Norman Wells. The plan was later changed to have the processing plant located in the Inuvik area. This creates an obstacle for future gas that may come out of say the Colville Lakes area. This gas would require another processing plant in Norman Wells and would require additional infrastructure. So it raises the question, should a processing plant in Norman Wells have been considered? I attempted to obtain the rationale for this change of plan through an Information Request (BEVI 2.01) but the proponents’ answer did not help me determine why the change had been made. There are perhaps legitimate technical reasons. However, if I expand on this example, it leads me to a recommendation that components of the pipeline should be judged according to cost, accessibility to other users and contribution to avoidance of duplication of infrastructure.

4. Components of the pipeline should be judged according to cost, accessibility to other users and contribution to avoidance of duplication of infrastructure.

Among the proponents, *Imperial Oil* in particular is not a stranger to the north. This gives us the opportunity to examine their corporate history in our midst while we make our decisions.

Imperial Oil has owned and managed the Norman Wells oil field since the inception. Norman Wells' benefits from the project include the supply of natural gas for heating for a portion of the community at market prices less the transportation costs to market. This is a fair arrangement. *Imperial Oil* also owns the generating facility in the area for which it uses the natural gas to produce electricity. However, *Imperial* chooses to market the electrical product to the local utility, NTPC at a cost that is set as if *Imperial* was using diesel to produce the electricity. This results in the community paying a premium of between 500K and 750K per year for this electrical energy. *Imperial Oil's* response to my question in BEVI R2 02 on this was: "it is the subject of a commercial agreement with NTPC at market rates". I would suggest this is an example of why it is not any corporation's good will that we need to rely on, it is the terms and conditions that we set that will determine how this projects works for or against us.

- 5. In protecting the public interest and ensuring fair market conditions, the Joint Review Panel should rely on terms and conditions, not on the good will of corporations.**

Agreement with Aboriginal Pipeline Group

This leads me to a discussion about the financial relationship between the *Aboriginal Pipeline Group (APG)* and this project. Before proceeding I need to be clear that I strongly support the principle of aboriginal involvement and ownership in this project. However, I have to outline some concerns about the particular arrangement that has been made between the *Aboriginal Pipeline Group* and the producers.

To begin, the arrangement with the *Aboriginal Pipeline Group* only involves pipeline equity or a portion of the rate of return on this regulated utility. It does not involve the returns from the more lucrative anchor fields.

As it stands, the APG essentially only begins to earn incremental interest with firm service transportation agreements that are above those that the proponents have among themselves (or to put it another way, the volume of gas provided by the anchor fields). In volume 20 of the NEB hearings July 29th, 2006) Ms. Marreck, Imperial Oil and Exxon Mobil's representative, indicated that the APG will earn a minimum interest of 2 or 3% at the 830 million cubic feet a day level. Their portion of interest increases up to a maximum of 33.3 % once the pipeline is at full capacity. So really the APG's profits are tied to the expansion of the gas project because it is only through expansion that they have any real chance of making significant earnings. This will make it very difficult for aboriginal groups to control or oppose any expansion should their experience with the project be negative. This financial structure seems to be little more than a clever way for the proponents to guarantee that there is never any opposition to future exploration and

development. Is this really the best arrangement to ensure Aboriginal equity and benefits?

The *Joint Review Panel* needs to ask itself if the terms of the *Aboriginal Pipeline Group* agreement satisfy the requirements in the *Mackenzie Valley Resource Management Act* for socio-economic wellbeing for the communities. Without a careful cost-benefit analysis of the deal, *the Joint Review Panel* should not consider the partnership between the producers and the APG as a guaranteed benefit to the north.

- 6. The *Joint Review Panel* should conduct an independent assessment of the arrangement between the producers group and the *Aboriginal Pipeline Group* to determine its contribution towards any potential benefits for the north.**

Gathering Fields

The jurisdiction over the gathering fields is complex. For example, the *National Energy Board Act* and the *Canadian Oil and Gas Act* play significant roles. But to my knowledge, there is still a regulatory gap in terms of organizing the exploration and development work in the gathering fields amongst different producers. I have heard concerns expressed by some producers. They are not clear how their access rights will be protected. Concern has also been expressed about how the fees on gathering lines will be set and about the lack of a dispute resolution mechanism. I say again that we cannot – must not - rely on the proponents' good will. We need to establish a formality of understanding, one that outlines the opportunity for exploration and development of resources beyond those resources held by the proponents.

We know from experience that in order to decrease the environmental impact in the gathering fields, coordination and a collective arrangement between producers is required. K-29 and Ranger gas wells in the Liard area demonstrated this in 2000. For example, Ranger and Chevron shared some gathering fields in order to reduce costs and environmental impact.

The problem is that without cooperation between companies, we will have excessive infrastructure in the gathering fields. This will reduce the value of our resource and will be a detriment to environment.

- 7. The *Joint Review Panel* should recommend a formal agreement that outlines the opportunity for exploration and development of resources by other producers.**
- 8. The Government of Canada should pass enabling legislation that will ensure coordination of infrastructure development by producers in the gathering fields.**

Project Finances

In my opinion and I would hazard to say the general public's view, there is no need for "fiscal enhancements" or public subsidies for this project. The project is financially robust. Any enhancements should only be considered if they achieve socio-economic benefits or solve environmental problems.

The fiscal enhancements that are needed are to northern infrastructure not to oil company profits. We need to support the north's ability to deal with impacts of this project. I will discuss this point again later in this submission.

To return to the issue of subsidies, we have already heavily subsidized the oil and gas industry in the north through the super depletion allowance in the 70's and 80's. Virtually all exploration and development of the Delta-Beaufort area in the 70's and early 80's was done on federal money. **To give the companies further breaks when we already gave them breaks is a 'no go'.** We paid the industry to find the gas, now it looks like the project will pay a rate of return that is higher than the industry standard. The May 2006 report from the *State of Alaska Department of Revenue (Preliminary Findings and Determination as required by the Stranded Gas Development Act)* estimates what they call an acceptable 20% rate of return for the Alaska pipeline. It's been indicated in a recent financial and economic analysis of the MGP commissioned by *Alternatives North* that the proponents are looking at around a 25% rate of return (J-ANC-00014). This report is being studied by both the GNWT and DIAND but it appears there is room to improve revenue for both the GNWT and the Government of Canada and ensure fair return and opportunities for the citizens of the North.

Canada needs to revisit our royalty regime and bring it into step with achieving a fair public return for the development of these public resources. The *Pembina Institute* did a study of royalty regimes around the world and found the Frontier Lands regime to be very limited in its capacity to achieve a fair public return (J-ANC-00020). Similarly, in the *Comparative Analysis of Fiscal Regimes* prepared for the *Northern Oil and Gas Directorate of Indian and Northern Affairs Canada*, (February 28th, 2005) it was identified that the Frontier Lands regime was the most favourable to industry of the five regimes considered (Alaska, Norway, BC, Alberta and Frontier Lands).

Pembina made several recommendations for improving our regime to meet the goal of fair public return. To begin they suggest using a cash bidding system combined with taxes and royalties. Currently we are functioning on a work bid system. Our current royalty regime is based on the premise that exploration and development costs are higher. This is the case in some regions of the north but not all and should always be compared to potential profit margins. In particular we need to build in a mechanism in our formula that will capture windfall profits. This will ensure that during times of high fuel prices, the public and the proponents will be compensated at a fair rate. We can also develop terms and conditions on exploration leases to provide an incentive for higher environmental performance.

- 9. Canada and the GNWT should re-examine the appropriateness of the current royalty regime with the purpose of ensuring that Canadians and northerners will get a fair public return for the development of these public resources.**
- 10. Set terms and conditions on future exploration leases that encourage a higher environmental performance.**

Support for Northern Public Infrastructure

In the GNWT document entitled *Resource Development Impacts* (Exhibit J-GNWT-00059) it states:

“The analysis of incremental forced growth impacts of resource activity on GNWT expenditures indicate that the impacts of the development activities included in the analysis could add \$475 million in operational expenditures for the GNWT between 2005/06 and 2014/15 in order to maintain existing service levels. This does not take into account the strategic spending needed to maximize benefits or mitigate negative impacts of development.”

Now the development activities referred to in the report include developments in all sectors, but given the complexity and size of the *Mackenzie Gas Project*, I would suggest it will be responsible for a lion’s share of the impacts.

The GNWT General Submission (Exhibit J-GNWT-00058) reads:

“The demands of the project on the NWT transportation infrastructure will cause parts of the system to deteriorate and substantial repair and maintenance work will be required to maintain the system to an operable standard. Improvements and upgrades to existing infrastructure, including highways and winter roads and bridges and airports will be required prior to the construction phase of the project and increased operations and maintenance efforts to existing transportation systems will be required throughout this phase.”

Developing public infrastructure in northern Canada is a costly undertaking for a resident population of fewer than 50,000 people. In the past, most notably with the development of the Pine Point mine, much needed public infrastructure was obtained as a feature of a conscious strategy for resource development. This included roads, hydroelectric facilities, railways and transmission lines. We need to ensure that if it proceeds, the *Mackenzie Gas Project* also results in some northern infrastructure development, particularly in the area of energy generation. In the *Environmental Impact Statement*, the proponent does not indicate any consideration of project development that would include all weather roads, bridges, transmission lines, or energy generation projects.

Link to an all weather Mackenzie Valley road

In the response to my information request BEV 1.02, *Imperial Oil* wrote that the cost of an all weather road is too expensive. The proponents do not offset the cost of building the road against any savings in transportation of construction materials, they just say it is

too expensive. There would be several advantages to building this pipeline after an all weather road up the Mackenzie Valley was built. First of all, it could be built on a twelve-month basis over two or three years but with a smaller workforce. A continuous construction process would allow greater participation by northern businesses. They could better afford to invest in equipment for this project and it would result in a better overall return for the north. If the project is built without an all weather road, everything will have to be imported up to the north and stock piled. The ability of northern businesses to participate will be decreased. The need for large numbers of workers from outside the territory will be increased as well.

The best scenario for the NWT is to build a road up the Mackenzie Valley first and then consider a pipeline. The cost of development of this whole industry would be reduced and the benefits to the public would be increased.

- 11. The Government of Canada should be responsible for building an all weather road up the Mackenzie Valley to improve our national transportation infrastructure prior to the construction of the *Mackenzie Gas Project*.**

Production of Energy for NWT Use

Northern communities along the pipeline route must improve their situation in terms of access to less costly and cleaner fuel if this project proceeds. To date it seems the only offer on the table is a decreased toll fee for transporting natural gas on lateral lines to communities, if we can find someone to build them.

It is imperative that any energy production from the pipeline be done in the most environmentally appropriate fashion. In this Kyoto era, that would signify reducing CO₂ emissions by every means possible. In the provision of energy to NWT communities, residents and businesses along the pipeline route, there are options that can reduce emissions. Simply providing natural gas to the communities would reduce their CO₂ profile by a certain degree. But the provision of natural gas would require costly infrastructure developments and would link NWT residents to North American pricing for natural gas.

The option that presents itself for providing energy to communities and reducing CO₂ emissions is to utilize the waste heat from compressor stations to produce electricity and transmit this electricity to communities and businesses along the route with electrical lines. The cost effectiveness of this process will be determined by the location of the compressor stations and the volume of energy that can be delivered to the community and utilized by the community. This option requires further analysis and in doing the analysis, one can look at all the energy requirements of the community for both heating and electricity. It would require some redesign of the compressors stations but this could be done for a small cost.

12. **The GNWT should negotiate access to cleaner sources of energy, as part of the terms and conditions for granting any approval of the project. The provision of energy for NWT use should be aimed at reducing CO2 emissions as well as decreasing costs.**

Natural Gas Supply in Canada

Many issues have been raised about how the Mackenzie gas will be used and what is the condition of the gas industry in Canada. These issues are linked to sizing and future demand for increasing volume of output from Mackenzie gas. And so in examining the *Mackenzie Gas Project*, we need to consider the context of the development of the natural gas industry in Canada.

The *Natural Resource Canada Energy Outlook (Canada's Energy Outlook: the Reference Case 2006, Analysis and Modelling Division, Natural Resources Canada)* notes that natural gas production is expected to peak at about 6.6 trillion cubic feet when the Mackenzie Delta is anticipated to commence production. After 2011, total gas production will decline to about 5.3 Tcf by 2020.

“Due to a projected decline in natural gas production and an increase in domestic demand (from 2,700 Bcf in 2005 to 3,900 Bcf by 2020), net exports are expected to decline from a current level of 3,700 Bcf to 1,300 Bcf by 2020.” (*Natural Resource Canada Economic Outlook 2006*)

The above statement is quite significant because under the *North American Free Trade Agreement* (NAFTA), we are not allowed to decrease the percentage of our export of natural gas to the U.S. regardless of our domestic need. It suggests that in order to be able to meet our Canadian needs, we are going to have to break NAFTA. This will place Canada under significant pressure to increase our natural gas production.

“It is expected that liquefied natural gas imports will begin in 2011, to Eastern Canada, at the rate of about 210 Bcf per year but it is anticipated that much of that will be exported to the US. In Alberta, the natural gas requirements are expected to increase from 780 PJ in 2005 to 1,010 PJ in 2020.” (*Natural Resource Canada Economic Outlook 2006*)

Export of raw bitumen and LNG will fill some of the gap but Canada's needs, and the world's needs are greatly expanding. Most significant of all, is the expansion of Alberta's needs.

Natural gas is the Achilles heel of the tar sands. The tar sands require huge amounts of natural gas for expansion. Expansion of tar sands will put huge pressure on natural gas production in Canada and in the north.

The proponents outlined the following in their Market Analysis in Volume II of their Application for Approval to the *National Energy Board*,

“From 2003 through 2030, gas consumption by the Alberta oil sands bitumen production industry, excluding co-generation requirements, is projected to quadruple from 14.5 to 55 Mm³/d. From 2003 to 2030, power generation requirements in Alberta, including the cogeneration requirements of oil sands developers in Alberta, are projected to grow from 11.5 Mm³/d (0.4 Bcf/d) to nearly 31 Mm³/d (1.1 Bcf/d).”

The concern with the expansion of the tar sands is that it is going to push us to go faster than we want in developing Mackenzie gas resources. Environmentally, the expansion of the tar sands is a serious issue that Canadians will have to deal with in a separate arena. But it remains that the expansion of the tar sands will place a huge demand on Mackenzie gas.

I consider it essential that the *Government of Canada* reassert some degree of regulatory control over natural gas production and export so we continue to have a viable supply for our domestic needs. We don't want to be forced into a situation of ramping up production in the Mackenzie Valley and Beaufort Delta to the detriment of the environment in order to deal with the supply issue. We need to deal with these larger market issues in order to understand how they are going to impact us. We need to understand where the future of this industry is going.

As the Panel has a limited mandate to assess future development, how well is the NEB going to control future development and set strong conditions to protect Canada's gas supply and ensure orderly, not hyperactive development in the Mackenzie Valley? We need a strategy to deal with our reducing national supply of gas. It is in the national interest that Mackenzie Gas be developed at a pace that works for Canadian interests, not just for exports. It is in the North's best interests that Mackenzie gas be developed at a pace that works for NWT interests, not just for Alberta.

13. The *Government of Canada* must reassert regulatory control over natural gas production and export to assure a viable supply of natural gas for Canadian needs.

Labour Market Conditions in Western Canada

There are two main issues to consider in terms of the project's workforce and labour market condition. One is the training and preparation of our northern workforce. On the issue of preparation, the panel needs to consider if there has been sufficient effort given to training and preparing northerners so they can benefit from the jobs that will be available, especially the long-term jobs that would arise during the operations phase. Jobs associated with the project will only materialize into northern benefits if our workforce is ready.

The second issue is the proposed construction schedule. I have concerns with the construction schedule that the proponents have laid out to build this pipeline. This project would be competing for its workforce during a difficult time in the labour market

in western Canada. How feasible will it be for Imperial to recruit the size of work force that it needs for three relatively brief seasons of temporary employment? BC has had to resort to bringing in 'guest workers' for some of its projects. Will we be facing a similar situation in the NWT? How will we fair against the expansion of the tar sands or the other numerous projects occurring in Alberta? I suggest to the Panel that the schedule needs to be adjusted. If the construction schedule is adjusted by the proponent, there should be a discussion of how the construction schedule serves the public interest. The goal should be to maximize the number of jobs and business opportunities for northerners. The construction plan should support this goal.

14. Carry out further study to examine the capacity of the Canadian labour market to absorb the needs of this project.
15. Assess the degree of preparedness achieved through northern training programs to maximize northern employment benefits.
16. The JRP should assess how effectively the construction schedule contributes to maximizing northern benefits in terms of employing northern workers and providing northern businesses with opportunities to participate.

Trust Relationship between the Government of Canada, the GNWT and First Nations Governments

We are discussing natural resources that Canada is holding in trust for NWT residents and First Nations governments. The Panel has to articulate how this trust relationship is being maintained. What progress are we making on a devolution/revenue sharing agreement? If the *Government of Canada* can't show how the development of resources in the north is going to provide benefits for the people of the north, than this project shouldn't proceed. The *Government of Canada* has to give us something to show this is ours. This arrangement has to be in place before this project proceeds. **So instead of discussing accepting 'royalties in kind' or maintaining the status quo when it comes to royalties and taxation, the *Government of Canada* should be outlining exactly how the people of the north are going to benefit financially from this project.** There is too much at risk for our land and our people not to have a clear measure of what the reward is.

Under devolution, northerners need to understand how they will assert control over this development and future developments that may come with it. Northerners need to set terms and conditions over how these projects will develop. Devolution is not just about money, it is about the terms and conditions associated with the transfer of authority.

- 17. The Mackenzie Gas Project should not proceed until a fair devolution agreement has been signed amongst the Government of Canada, the Government of the Northwest Territories and northern First Nations governments.**

Environmental Impacts

The JRP must keep in mind when assessing environmental impacts that this is a basin opening project. We all know how to deal with a piece of steel (i.e., the pipeline). We don't know how to deal with the extreme levels of indirect and induced development as the project proceeds. I have already discussed that the main way to reduce negative impact is to control expansion of the MGP and the pace of development once the pipeline is built.

But we have other tools at our disposal as well.

The *NWT Protected Areas Strategy* was developed as a tool to protect areas of natural and cultural significance. This community-led process is a means through which communities can benefit from both development and conservation.

As the panel knows, we have very little permanent protection in the Mackenzie Valley.

The *Mackenzie Valley Five Year Action Plan* outlines the work that needs to be done to help communities in the Mackenzie Valley protect the land in advance of the proposed MGP. There is no guarantee that the proposed protected areas will become fully protected before the MGP proceeds.

But I support the claim of the *Canadian Parks and Wilderness Committee* that we need a network of culturally and ecologically representative areas reserved before the proposed MGP is given the go ahead.”

- 18. The Mackenzie Valley Five Year Action Plan should be completed prior to beginning construction of the Mackenzie Gas Project.**

On the issue of reclamation, I need to give a very stern caution again about counting on the good will of the proponents. In the NEB hearings, the proponents have indicated they don't think they “need to provide in advance security for those instances because ... all of the proponents in total have the wherewithal to deal with large, unexpected costs, but, as well, the shippers would not overall benefit for providing for instances that may or may not happen in the future.”

The industrial history of thorough clean-up in the NWT is desolate. We cannot rely on the assurances of proponents and we must insist on an environmental protection deposit. This would cover any costs associated with reclamation that may have to be undertaken by a third party. This would also ensure that throughout the working life of the project, there would be some level of assurance that any damage to the environment could be

remediated. It would also encourage a higher level of environmental performance as it establishes that environmental damage is a direct cost to the proponent. The terms and conditions associated with any certificate or approval for this project should incorporate the concept of polluter pay. If it is not the polluter that pays, inevitably, it ends up being the taxpayers of Canada that subsidize the clean up.

- 19. The NEB and other regulators should insist on an environmental protection and reclamation deposit as part of the terms and conditions of this project.**
- 20. If the MGP proceeds, the terms and conditions associated with the project should incorporate the polluter pay principle.**

Finally in terms of environmental issues that I would like to mention that it seems there is more work to be done on the issue of protecting our water sources. In Health Canada's submission, they state there is a need for risk assessment for accidents and spills and an identification of project activities that could have the greatest impact on drinking water supplies. I can only caution the panel to take the greatest care when dealing with our water resources, especially those that are used for community supply.

Social Impacts/Community Issues

I have left the discussion of social impacts to the near end of my presentation because it is perhaps one of the more complex areas this panel will have to deal with. The issues are not as clear-cut but the potential problems are enormous.

In its statement on *Resource Development Impacts*, the GWNT indicates that:

*“The non resident workforce will peak at 8,351 in 2008, with 4200 directly linked to MGP and 3,318 indirect non-resident employees.
At the peak of MGP construction, as many as 1,508 dwellings will be occupied by rotational workers (including indirect activity).”*

The GWNT continues to state in its General submission that “there are few concrete actions proposed by the Proponents that provide assurances that NWT residents will be able to obtain the levels of employment predicted in the EIS.” They suggest that the proponents need to expand hiring points to all NWT communities and work out details with unionized labour used by the proponent.

As much of the work of building the pipeline will be subcontracted, it will be essential to ensure contractors follow terms and conditions of socioeconomic and access and benefit agreements. Furthermore, specific training initiatives for women in non-traditional trades and the setting of targets for both women and people with disabilities would be appropriate concrete measures.

Let me speak a bit more about the barriers to overcome to increase women's participation in the trades.

In a study commissioned by the *Northern Territories Federation of Labour (Preparing Northern Women for Careers in Trades and Technical Occupations in the Northwest Territories and Nunavut: A Preliminary Model for Program Development and Delivery*, Tompkins, 2006), the major barrier identified is the lack of awareness of the occupations and opportunities. This is followed by lack of child care and pressures of family responsibilities. The report makes detailed recommendations about how to make training programs work for women and I want to outline some of these now because I support these recommendations.

We need programs that are aimed specifically at women and not just open to women's participation as *Imperial* has suggested in its materials. These programs will need to provide academic upgrading, life skills and communication training and utilize a 'hands-on approach' to training that is sensitive to the way women learn and include tradeswomen as models. Any training programs need to support access to childcare and housing. Some parts of these programs can be run at the community level and some parts will need to be in the more major centres. The study suggests the best framework would be a partnership between Aurora College and a non-profit women's organization. This is a model that bears some further investigation by the Panel and the GNWT.

- 21. Ensure contractors and subcontractors are bound by terms and conditions of socio-economic and access and benefit agreements.**
- 22. Establish training programs aimed at women and include upgrading, life skills, gender-sensitive techniques and provide childcare and housing support for trainees.**

I share the GNWT's concern about the effects of in-migration during the pipeline construction period. The MGP will result in an influx of temporary workers in camps and communities as well as permanent population increases. Increases in population will result in increased demand for services provided by the government including health care and social programs, policing and justice, housing and transportation infrastructure. We are all concerned that after construction, we will see a resulting increase in crime.

Current funding arrangements and capacity for revenue generation limit the GNWT's ability to accommodate increased demands from development.

This again points to the need to support northern infrastructure, in this case human resources, to allow northern governments to deal with these complex issues. I have to say, however, that we should not let the proponents off the hook completely. Though it is not their responsibility to provide public services, they must bear some responsibility for incremental costs that are related to the project.

- 23. The proponents should contribute to human resource capacity of northern governments as part of their contribution to dealing with incremental costs related to the *Mackenzie Gas Project*.**

Closing Remarks

Finally I will close with a statement to the Panel. By the end of this environmental impact review, the Panel will have worked through a long and complicated process. There are many questions that the public has in regards to this process. It is essential that the public be assured that this review is a process that we can trust to have protected the public interest.

The Panel has to explain how the relationship between itself, the NEB and the *Government of Canada* is going to work. You need to show how your work is relevant. We need to understand where your recommendations will go once they are made and we need to be assured that the process will be followed through.

If the *Joint Review Panel* determines that changes are required in the design of this project, they must not be afraid to say so. The Panel cannot let the concern that our regulatory process is too complicated or that there will be 'too much paperwork' stop them from making the recommendations that are required to protect the public interest. The work of determining if and how this pipeline proceeds has to be done properly.

Again I return to the importance of doing this work under the broad framework of the *Mackenzie Valley Resource Management Act*. This is truly the road map that should direct your work. It will be the benchmark by which your work is assessed.

The Panel will have many important tasks to accomplish. I wish you strength, perseverance, wisdom and courage in your work. I would also thank you on behalf of the people of the NWT for doing this important work.